

Message Text

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PASS DEPARTMENT OF COMMERCE FOR MAJOR EXPORT PROJECTS
DIVISION FOR THOMAS JASPER

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SUBJ: SIDERPERU'S CHIMBOTE STEEL PLANT EXPANSION

REFS: LIMA 5042, LIMA 5919, LIMA A-117 OF JUNE 10 1075

1. A MINISTRY OF INDUSTRY AND TOURISM ADVISOR ON STEEL MATTERS TOLD US THAT THE PLANS FOR THE CHIMBOTE STEEL PLANT EXPANSION HAVE BEEN ALTERED. FOLLOWING THE CURRENT "BALANCING" PROJECT TO INCREASE THE PLANT'S PRODUCTION FROM THE PRESENT 450,000 TONS OF LIQUID STEEL PER YEAR TO 700,000 TONS, THE CAPACITY WILL BE INCREASED TO ONE MILLION TONS. THEN THERE WILL BE TWO FURTHER EXPANSION PROJECTS, EACH ONE INCREASING THE CAPACITY BY 1,500,000 TONS PER YEAR. THUS, AFTER ALL WORK IS COMPLETED, CHIMBOTE'S TOTAL CAPACITY WILL BE FOUR MILLION TONS OF LIQUID STEEL PER YEAR.

2. THE FRENCH FIRM THAT PREPARED THE ORIGINAL TEN-VOLUME FEASIBILITY STUDY FOR THE SIDERPERU EXPANSION WILL PREPARE A NEW STUDY INCORPORATING THESE CHANGES. THE MINISTRY EXPECTS THIS STUDY TO BE COMPLETED BY FEBRUARY OR MARCH 1976. THUS, UNTIL THIS STUDY IS COMPLETED, NO CONTRACTS WILL BE SIGNED FOR CONSTRUCTION OF SEGMENTS OF THE EXPANSION PROJECT.

3. THE PROPOSED NAZCA STEEL PROJECT IS A DEAD LETTER, AND BOTH THE RUSSIAN AND THE ARTHUR MCKEE FEASIBILITY
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STUDIES WILL BE OF NO USE. THE STEEL EXPERTS IN INDUPERU

WHO HAD BEEN WORKING ON THE NAZCA PROJECT WILL BE TRANSFERRED TO SIDERPERU.

4. ACCORDING TO THE MINISTRY ADVISOR, THE MINISTER OF INDUSTRY AND TOURISM HAS FINALLY FOCUSED ON THE PROBLEM OF STEEL PRODUCTION AND HAS COME TO REALIZE THAT CONCRETE STEPS MUST BE TAKEN IF PERU EXPECTS TO PROVIDE FOR ITS OWN STEEL NEEDS OVER THE NEXT TWENTY-FIVE YEARS.

5. COMMENT: ALTHOUGH THIS NEW SCHEME FOR CHIMBOTE MAY POSTPONE SOMEWHAT THE SIGNING OF CONTRACTS AND THE START OF CONSTRUCTION, IT APPEARS TO REPRESENT AN EMINENTLY MORE RATIONAL APPROACH, BOTH TECHNICALLY AND ECONOMICALLY. THE TOTAL EXPANSION PROJECT TO FOUR MILLION TONS OF PRODUCTION WILL COST ABOUT \$3 BILLION AT CURRENT COSTS. SIDERPERU AND THE GOP ARE INCAPABLE OF HANDLING A PROJECT OF THIS MAGNITUDE, AND, THEREFORE, THE SERVICES OF A COMPANY SUCH AS US STEEL ENGINEERS FOR PROJECT MANAGEMENT AND SUPERVISION WILL BE ESSENTIAL. WE BELIEVE THAT THE GOP IS BEGINNING TO REALIZE THIS. THE VISIT OF THE PROJECT MANAGER FOR THE CHIMBOTE EXPANSION, ING. RENE CALDERON, TO PITTSBURGH IN SEPTEMBER SHOULD PRESENT US STEEL ENGINEERS WITH AN EXCELLENT OPPORTUNITY TO MAKE HEADWAY IN GAINING THE CONFIDENCE OF SIDERPERU.
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